

Message Text

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ACTION ORM-03

INFO OCT-01 NEA-11 ISO-00 SR-02 IO-14 L-03 OMB-01 TRSE-00

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INFO AMEMBASSY AMMAN

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AMEMBASSY TEL AVIV

USINT CAIRO BY POUCH

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E.O. 11652: N/A DECON 1/23/75

TAGS: EAID, SREF, UNRWA, XF

SUBJECT: UNRWA FINANCES

SUMMARY: UNRWA OFFICIALS REPORT THAT AGENCY'S FINANCIAL PROSPECTS FOR 1974 HAVE WORSENED MUCH FUTHER THAN EXPECTED. THEY PREDICT THAT IF SUBSTANTIAL RELEIF NOT FORTHCOMING IN NEXT TWO OR THREE MONTHS, UNRWA WILL BE ORCED PROCEED WITH MAJOR CUT-BACK IN REFUGEE SERVICES WHICH COULD HIGHLY ADVERSE REPERCUSSIONS AMONG BOTH REFUGEES AND HOST GOVTS. END SUMMARY.

1. EMBOFF REVIEWED CURRENT STATE OF UNRWA FINANCES JAN. 22 WITH COMGEN RENNIE, DEPUTY COMGEN KONTOS AND COMPTROLLER CALLOW. COMGEN NOTED THAT ALTHOUGH HE HAD INDICATED AT UNWRA PLEDGING CONFERENCE NOV 30 IN NEW YORK THAT AGENCY'S CY 1974 BUDGET DEFICIT WOULD TOTAL DOLS 7 MILLION (REFLECTING INCREASED CONTRIBUTIONS BY JAPANESE, NORWEGIANS, SWedes AND OTHERS), HE HAS BEEN INCREASINGLY DISMAYED SINCE HIS RETURN TO BEIRUT THREE

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WEEKS AGO TO WATCH THAT FIGURE EXPAND TO APPROXIMATELY DOLS

12.5 MILLION AS RESULT OF CONTINUING RELENTLESS SPIRAL IN PROJECTED AGENCY OPERATING COSTS--A SPIRAL GENERATED IN ALL AREAU OF UNRWA OPERATIONS BY NECESSARY INCREASES IN LOCAL STAFF SALARIES DUE TO EVER-RISING COST OF LIVING (AS MUCH AS 25 PER CENT IN EAST JORDAN, WEST BANK AND GAZA), BY SKY-ROCKETING PRICES OF ESSENTIAL GOODS AND SERVICES PURCHASED BY UNRWA LOCALLY, AND BY NEWS THAT WEST GERMANY INTENDS CUT ITS CONTRIBUTION TO AGENCY BY DOLS 1.5 MILLION IN 1974. COMGEN OBSERVED THAT RECENT US CONGRESSIONAL SUPPLEMENTAL APPROPRIATION OF DOLS 2 MILLION FOR UNRWA EDUCATION WOULD REDUCE LATEST DEFICIT FIGURE SOMEWHAT. ON OTHER HAND, HE WAS SORRY TO SAY THAT RENEWED STRENGTH OF US DOLLAR IN WORLD MONEY MARKETS HAS NOT YET BEEN FELT IN ME AND THEREFORE HAS HAD LITTLE IMPACT ON IMPROVING AGENCY'S FIANCIAL POSITION. (AT BEGINNING OF 1974, UNRWA HAD LESS THAN DOLS 2 MILLION IN WORKING CAPITAL ON HAND.) IN ESSENCE, SAID COMGEN, DESPITE WELCOME RECENT INCREASES IN UNRWA'S INCOME FROM TRADITIONAL CONTRIBUTOR-GOVTS, AGENCY'S FINANCIAL PROSPECTS FOR CY 1974 ARE STILL AS BAD AS THEY WERE ESTIMATED TO BE SIX MONTHS AGO. WHILE HE AND OTHER SENIOR UNRWA OFFICIALS ARE STILL SEARCHING FOR MEANS TO COPE WITH PROJECTED DEFICIT (COMGEN INTENDS TO MAKE ANOTHER APPROACH TO WEALTHY ARAB GOVTs IN NEAR FUTURE), THEY SEE LITTLE HOPE THAT THEIR EFFORTS WILL ENABLE AGENCY AVOID UNPRECEDENTEDLY ACUTE FINANCIAL CRISIS IN MONTHS AHEAD.

2. IN ADDITION TO RATHER FORLORN HOPE OF SUBSTANTIALLY INCREASED INCOME FROM ARAB GOVTs, UNRWA IS NOW PURSUING TWO OTHER LAST-DITCH POSSIBILITIES OF FINANCIAL RELEIF:

(A) POSSIBILITY THAT EEC MAY SOON ALLOCATE SERAL MILLION DOLLARS FOR UNRWA FOR UNRWA EDUCATIONAL OPERATING EXPENSES DURING FINAL 18 MONTHS OF AGENCY'S CURRENT MANDATE (DUE TO EXPIRE JUNE 30, 1975). THIS WOULD EASE FINANCIAL BURDEN CONSIDERABLY, BUT NOT RPT NOT TO EXTENT THAT UNRWA COULD SURVIVE 1974 WITHOUT IMPOSING CUTBACKS ON CERTAIN REFUGEE SERVICES, INCLUDING SYSTEM OF PRE-PARATORY EDUACTION. SIR JOHN HOPES TO HAVE BETTER IDEA OF EEC'S WILLINGNESS TO PROVIDE THIS ASSISTANCE IN NEXT THREE WEEKS.

(B) FAINT CHANCE THAT SYMPATHETIC US CONGRESSMEN AND SENATORS WILL SECURE SUPPLEMENTAL, ONE-TIME SPECIAL APPROPRIATION LIMITED OFFICIAL USE

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OF UP TO DOLS 29 MILLION FOR UNRWA IN COMING MONTHS. UNRWA OFFICIAL HAVE BEEN IN TOUCH WITH SENATORS INOUYE AND ABOUREZK, AMONG OTHERS, ON THIS SUBJECT, AND DEPUTY COMGEN KONTOS WILL BE PRESENT IN WASHINGTON AND NEW YORK FOR TWO WEEKS IN LATE JANUARY-EARLY FEBRUARY TO DO WHAT HE CAN TO IMPROVE UNRWA'S CHANCES WHEN CONGRESS RECONVENES. (FOR IO: KONTOS PLANS CALL AT DEPT ON MONDAY, JAN 28, TO DISCUSS THIS MATTER WITH DEPT OFFICERS.) NEITHER HE NOR COMGEN ARE SANGUINE ABOUT

SUCCESS OF THIS EFFORT, BUT THEY BELIEVE IT WORTH TRYING IN VIEW
OF AGENCY'S DIRE FINANCIAL PROSPECTS.

3. IF NO FUTHER ASSISTANCE OS FORTHCOMING BY MARCH, BOTH
RENNIE AND KONTOS WILL BE OBLIGED INFORM HOST GOVTs THAT THEY
HAVE EXHAUSTED ALL POSSILILITIES OF REDUCING UNRWA DEFICIT AND
THAT DRASIC REDUCTIONS IN UNRWA RATION AND EDUCATION SERVICES
WILL HAVE TO BEGIN IN APRIL OR MAY. THEY EXPECT ANOTHER FRUITLESS
EMERGENCY ADCOM SESSION WILL BE HELD AS RESULT THIS UNSETTLING
ANNOUNCEMENT, AND THAT NEWS OF SUBSEQUENT CUT-BACK WILL PRODUCE
CONSIDERABLE AGITATION ON PART OF REFUGEES, ESPECIALLY IN LEBANON.

4. COMMENT: SITUATION DESCRIBED ABOVE REPRESENTS MOST DIS-
TURBING FINANCIAL CRISIS UNRWA HAS EXPERIENCED IN ITS HISTORY.
COMGEN AND HIS STAFF ARE PREPARED ACCEPT RESPONSIBILITY FOR MAJOR
CUT-BACK IN SERVICES, IF THIS PROVES NECESSARY, HAVING DONE ALL
THEY CAN TO AVOID IT. ARAB GOVT (PARTICULARLY KING FEISAL) HAVE
BEEN NEGATIVE ABOUT PROVIDING INCREASED FUNDS, AND TRADITIONAL
WESTERN SOURCES UNABLE MAKE UP DEFICIT. RENNIE FEARS CUTBACKS
COULD CAUSE MAJOR CONTROVERSY AMONG HOST GOVTs AND REFUGEES AT
CRITICAL POINT IN ME PEACE-SEEKING EFFORT, BUT HE WOULD PREFER DO
HIS BEST TO COPE WITH THIS RATHER THAN PRESIDE OVER COMPLETE BREAK-
DOWN IN UNRWA OPERATIONS THAT WOULD ENSUE FROM MAINTAINING FULL
SERVICES UNTIL AGENCY GOES TOTALLY BANKRUPT.

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